

## Message Text

CONFIDENTIAL

PAGE 01 EC BRU 01641 01 OF 02 182019Z

73

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00

LAB-04 SIL-01 SAM-01 OMB-01 L-03 ITC-01 AGR-05 SS-15

NSC-05 SAJ-01 /080 W

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R 181848Z FEB 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 550

INFO ALL EC CAPITALS 1700

AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

USMISSION NATO

C O N F I D E N T I A L SECTION 1 OF 2 EC BRUSSELS 1641

E.O. 11652: GDS

TAGS: ETRD, PFOR, EEC, COMECON

SUBJECT: CEMA DRAFT AGREEMENT WITH EC

REFS: (A) EC BRUSSELS 1540, (B) MOSCOW 2245, (C) LUXEMBOURG

182

1. BEGIN SUMMARY: DESPITE REPEATED EFFORTS, WE HAVE BEEN AS YET UNABLE TO OBTAIN A COPY OF CEMA'S PROPOSED AGREEMENT WITH THE EC WHICH WAS DELIVERED TO EC COUNCIL PRESIDENT THORN BY DEPUTY CHAIRMAN OF THE GDR'S COUNCIL OF MINISTERS WEISS IN LUXEMBOURG ON FEBRUARY 16. WE HAVE, HOWEVER, RECEIVED A GENERAL BRIEFING ON THE CONTENTS OF THE AGREEMENT WHICH IS REPORTED IN THIS MESSAGE. THE CEMA DRAFT INCLUDES PROVISIONS

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PAGE 02 EC BRU 01641 01 OF 02 182019Z

WHICH ASSERT THAT EC/CEMA TRADE SHOULD BE ON AN MFN BASIS;

CALL FOR THE ABOLITION OF ALL NTB'S, INCLUDING DISCRIMINATORY EXPORT RESTRICTIONS, AND PROPOSE COOPERATION ON MACRO-ECONOMIC FORECASTING, STANDARDS, ENVIRONMENT AND STATISTICS. THE DRAFT PERMITS THE NEGOTIATION OF AGREEMENTS BETWEEN CEMA MEMBER STATES AND EC MEMBER STATES OR COMMUNITY INSTITUTIONS. EC VICE PRESIDENT SOAMES TERMED THE CEMA DRAFT "CLEARLY UN-ACCEPTABLE" DURING A BRIEF DISCUSSION OF THE SUBJECT WITH AMBASSADOR HINTON.

ACTION REQUESTED: THORN GAVE THE TEXT OF THE AGREEMENT TO THE EC POLITICAL DIRECTORS AT THEIR MEETING IN LUXEMBOURG ON FEBRUARY 16 AND 17. IN ADDITION, THE TEXT HAS, WE UNDERSTAND, BEEN DISTRIBUTED TO UK AND FRG EMBASSIES IN EASTERN EUROPE. SINCE THIS DOCUMENT IS BEING HELD VERY CLOSELY IN BRUSSELS, WE WOULD APPRECIATE ANY EFFORTS ADDRESSEES COULD MAKE TO OBTAIN THE FULL TEXT. END SUMMARY.

2. AS REPORTED REFTELS, WEISS MET WITH LUXEMBOURG PRIME MINISTER AND EC COUNCIL PRESIDENT THORN IN LUXEMBOURG ON FEBRUARY 16. PERM DEL SOURCES HAVE TOLD US THAT NO SIGNIFICANT CONVERSATION TOOK PLACE EITHER AT THE WEISS/THORN MEETING OR AT THE LUNCHEON WHICH THORN SUBSEQUENTLY OFFERED FOR WEISS.

3. WEISS PRESENTED THREE DOCUMENTS TO THORN ON BEHALF OF CEMA. WEISS PROPOSED A PRESS STATEMENT ON WHICH HE SOUGHT EC CONCURRENCE. AFTER CONSIDERABLE EDITING, THE STATEMENT WAS RELEASED IN BRUSSELS AND LUXEMBOURG. BOTH THE EC AND CEMA UNDERTOOK TO LIMIT THEMSELVES TO THIS STATEMENT IN DISCUSSIONS WITH THE PRESS. WEISS THEN PRESENTED, WITH WHAT HAS BEEN DESCRIBED TO US AS A "NON-SUBSTANTIVE" COVERING NOTE, A NINE-PAGE, 15 ARTICLE DRAFT OF AN AGREEMENT TO BE CONCLUDED BETWEEN CEMA AND ITS MEMBER STATES ON ONE SIDE AND THE EC AND ITS MEMBER STATES ON THE OTHER.

4. THE CEMA DRAFT GOES CONSIDERABLY BEYOND PREVIOUS PREDICTIONS REGARDING A FRAMEWORK OR UMBRELLA AGREEMENT. ACCORDING TO A BRIEFING WHICH WE RECEIVED FROM A BRUSSELS SOURCE THE AGREEMENT:

-- RECOGNIZES THE ESTABLISHMENT OF OFFICIAL RELATIONS BETWEEN CEMA AND THE EC.  
-- CALLS UPON THE SIGNATORIES TO IMPROVE CONDITIONS FOR  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 EC BRU 01641 01 OF 02 182019Z

ECONOMIC COOPERATION BETWEEN THE EC, CEMA AND THEIR RESPECTIVE MEMBER STATES, PARTICULARLY WITH REGARD TO STANDARDS, ENVIRONMENT, STATISTICS AND THE ECONOMIC FORECASTING OF PRODUCTION AND CONSUMPTION. CONFORMING TO THEIR RESPECTIVE MANDATES THE EC AND CEMA ARE TO AGREE TO UNDERTAKE THE DEVELOPMENT OF DIRECT COOPERATION BETWEEN BOTH THE ORGANIZATIONS THEMSELVES AND THEIR RESPECTIVE MEMBER STATES IN THE AREAS MENTIONED ABOVE.

-- CALLS FOR THE EXCHANGE OF INFORMATION ON THE MAJOR ACTIVITIES OF BOTH ORGANIZATIONS AND FOR THE PROMOTION OF SYSTEMATIC ORGANIZATION-TO-ORGANIZATION CONTACTS AS WELL AS THE JOINT SPONSORING OF CONFERENCES, MEETINGS AND SYMPOSIA.

--PROVIDES THAT TRADE BETWEEN THE SIGNATORIES WILL BE ON AN MFN BASIS.

--CALLS FOR THE ELIMINATION OF ALL PRESENT RESTRICTIONS  
(COMMENT: PRESUMABLY NTB'S END COMMENT) ON TRADE AS WELL AS BANNING THE FUTURE IMPOSITION OF SUCH RESTRICTIONS WITH THE EXCEPTION OF THOSE WHICH ARE UNIFORMLY APPLIED TO ALL THIRD COUNTRIES BY EITHER ORGANIZATION.

-- CALLS ON THE SIGNATORIES TO PROMOTE LONG-TERM, STABLE, AND EQUITABLE TRADE IN AGRICULTURAL PRODUCTS, RENOUNCING ALL UNILATERAL RESTRICTIONS OF EXPORTS EXCEPT AS THEY ARE UNIFORMLY APPLIED TO ALL THIRD COUNTRIES.

-- PROPOSES THE ENCOURAGEMENT OF MONETARY AND FINANCIAL STUDIES AIMED AT INCREASING COMMERCIAL EXCHANGES, WHILE PLEDGING THAT TRADE SHOULD TAKE PLACE UNDER THE MOST FAVORABLE CREDIT CONDITIONS POSSIBLE.

-- PROVIDES THAT SPECIFIC QUESTIONS MAY BE RESOLVED, ON THE BASIS OF THE PRINCIPLES OF THE PRESENT ACCORD, BY DIRECT CONTACTS, CONVENTIONS AND ACCORDS BETWEEN ONE OR MORE CEMA MEMBER STATES AND ONE OR MORE MEMBER STATES OF THE EC OR ITS INSTITUTIONAL BODIES.

CONFIDENTIAL

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PAGE 01 EC BRU 01641 02 OF 02 182028Z

73

ACTION EUR-12

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NSC-05 SAJ-01 /080 W

----- 008337

R 181848Z FEB 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 551

INFO ALL EC CAPITALS 1701

AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST  
AMEMBASSY BUDAPEST  
AMEMBASSY MOSCOW  
AMEMBASSY PRAGUE  
AMEMBASSY SOFIA  
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CONFIDENTIAL SECTION 2 OF 2 EC BRUSSELS 1641

--RECOGNIZES THAT THOSE CEMA MEMBER STATES WHICH ARE MEMBERS OF THE GROUP OF 77 (COMMENT: CUBA) SHOULD CONTINUE TO BENEFIT FROM GSP.

--ESTABLISHES A MIXED COMMISSION TO OVERSEE THE OPERATION OF THE ACCORD. THE DURATION OF THE ACCORD WAS NOT SPECIFIED IN THE CEMA DRAFT.

5. COMMENT: WHILE WE WILL WITHHOLD SUBSTANTIVE ANALYSIS OF THE CEMA PROPOSAL UNTIL WE HAVE THE FULL TEXT, IT CLEARLY RAISES A NUMBER OF MAJOR PROBLEMS FOR THE COMMUNITY. INVOLVED ARE QUESTIONS OF COMMISSION COMPETENCE FOR TRADE NEGOTIATIONS WITH STATE-TRADING COUNTRIES AS LAID DOWN IN THE COMMON COMMERCIAL POLICY, AS WELL AS DIFFICULTIES FOR MEMBER STATES ASSOCIATED WITH REMOVAL OF NTB'S. END COMMENT.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 EC BRU 01641 02 OF 02 182028Z

6. SIR CHRISTOPHER SOAMES, EC COMMISSION VICE PRESIDENT FOR EXTERNAL RELATIONS, MENTIONED THE CEMA DRAFT DURING AMBASSADOR HINTON'S INITIAL CALL. SOAMES SAID THE DRAFT WAS "CLEARLY UNACCEPTABLE" AND THAT IT PROVED THAT CEMA WAS NOT YET SERIOUS ABOUT DOING BUSINESS WITH THE COMMUNITY. HE COMPLAINED THAT THE SOVIETS STILL ARE REFUSING TO ACCEPT THE COMMUNITY STRUCTURE AND PERSIST IN EQUATING THE EC WITH CEMA.

SOAMES SAID THAT THE DRAFT WAS NOW BEING STUDIED BY THE COMMISSION BUT THAT SOME CONSIDERABLE TIME WOULD ELAPSE BEFORE ANY AGREEMENT WAS CONCLUDED. THE KEY TACTICAL QUESTION FOR THE EC TO EXAMINE WAS HOW MUCH OF THIS DRAFT IS ESSENTIAL TO CEMA AND HOW MUCH IS WATER. HIS OWN INITIAL REACTION WAS THAT, IF CEMA IS WILLING TO THROW OUT ABOUT 80 PER CENT OF IT, THERE MIGHT BE A BASIS FOR DISCUSSION.

7. THE COMMISSION AND PERM DELS ARE TO DISCUSS THE DRAFT AGREEMENT AT A RESTRICTED MEETING OF THE COMMITTEE OF PERMANENT REPRESENTATIVES (COREPER) SCHEDULED TO TAKE PLACE IN BRUSSELS ON FEBRUARY 26. THE AGREEMENT WILL BE THEN DISCUSSED BY THE EC COUNCIL OF FOREIGN MINISTERS IN ITS MARCH 1-2 MEETING.

8. FOR DIFFERENT REASONS THE COMMISSION AND THE MEMBER STATES PERM DELS IN BRUSSELS ARE EXTREMELY RELUCTANT TO DISCUSS

THE CEMA PROPOSAL IN DETAIL OR TO RELEASE COPIES OF THE AGREEMENT. IT IS OUR UNDERSTANDING, HOWEVER, THAT THE DOCUMENT HAS RECEIVED FAIRLY WIDE CIRCULATION AND WE WOULD HOPE THAT IT WILL BE POSSIBLE TO OBTAIN A COPY OF THE FULL TEXT IN THE NEAR FUTURE.HINTON

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AGREEMENT DRAFT, RELATIONS WITH REGIONAL ORGS, TRADE AGREEMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 18 FEB 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ShawDG  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976ECBRU01641  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D760061-0150  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 EC BRUSSELS 1540, 76 MOSCOW 2245  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ShawDG  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 30 MAR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <30 MAR 2004 by greeneet>; APPROVED <28 JUL 2004 by ShawDG>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CEMA DRAFT AGREEMENT WITH EC  
**TAGS:** ETRD, PFOR, EEWG, EEC, COMECON, CEMA  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006